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May 8, 2007

**VIA ECFS**

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Re: *In the Matter of Implementation of Pay Telephone Reclassification and  
Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128*

Dear Ms. Dortch:

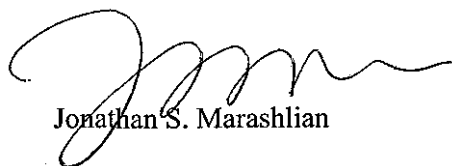
Attached is a copy of the 2007 Call Tracking System Audit Report for Compass Global, Inc. ("Compass Global"), as required by Section 64.1320 of the Commission's Rules, 47 C.F.R. §64.1320.

Pursuant to Section 64.1320(e) of the Commission's Rules, 47 C.F.R. §64.1320(e), also attached is a copy of Compass Global's statement regarding contact information for the person responsible for handling Compass Global's payphone compensation and for resolving disputes with payphone service providers regarding compensation.

Copies of Compass Global's System Audit Report and Section 64.1320(e) Statement, as well as other information regarding payphone compensation and Compass Global's compliance with Commission Rules, are posted on the company's Internet website, <http://www.compassglobal.net>.

Should you have questions regarding any of the above, please contact the undersigned.

Respectfully submitted,



Jonathan S. Marashlian

## **SECTION 64.1320(e) STATEMENT**

### **Compass Global Inc.'s Payphone Service Providers (PSPs) Dispute Resolution Process**

#### **1. Introduction**

Compass Global will pay compensation directly to the PSP, or the representing agent of the PSP, for completed calls on a quarterly basis. For questions or concerns related to payphone compensation, please address to:

**Compass Global Inc.**  
Attn: Dean Cary, President/CEO  
50 Tice Boulevard  
3rd Floor  
Woodcliff, New Jersey 07677  
Email: [DeanCary@CbmpassGlobal.net](mailto:DeanCary@CbmpassGlobal.net)  
Phone: (248) 366-3330

#### **2. How to file disputes.**

If you disagree with any of the payphone compensation quarterly calculations provided by Compass Global, you must provide the following information in your dispute.

- a. PSP payphone number (ANI) being disputed.
- b. Date, time, toll-free number and destination number called.
- c. Claim quarter of dispute.
- d. Any additional information that may help to resolve the dispute.

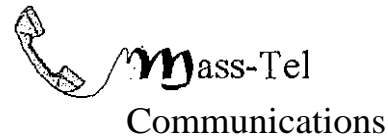
Please provide your dispute information in Excel format/file. Along with dispute information, please provide a contact name, number, and email address to where the response for the dispute should be addressed.

#### **3. Dispute response time.**

Compass Global will use all reasonable efforts to respond to your disputes as quickly as possible. However, please note that response time will vary based on the quantity of payphone number(s) being disputed.

Telecommunications Audit Department  
Carrier Compliance

Missy Sue Mastel, CPA



260 Townsend St, 6<sup>th</sup> Flr  
San Francisco, CA 94107  
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FINAL

## Auditors Report: FCC Order 96-128

We have examined the accompanying description of the controls at Compass Global Inc. ("Compass Global") applicable to recordkeeping, reporting, and payment provided to payphone service providers serviced through the switch. Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of Compass Global's controls as it related to PSP compensation, (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and (3) such controls have been in place as of December 31, 2006. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description of the aforementioned controls of Compass Global, presents fairly, in all material respects, the relevant aspects of Compass Global's controls that have been placed in operation as of December 31, 2006. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that dial around compensation objectives, as documented in FCC Order 96-128, would be achieved if the described controls were complied with satisfactorily and third parties applied those aspects of internal control contemplated in the design of Compass Global's controls.

In our opinion, the controls that we tested are operating with sufficient effectiveness to provide material and reasonable assurance that the control objectives were achieved during the period between October 1, 2006 and December 31, 2006 with one exception.

As a result of issues relating to historic DAC responsibility which are presently subject to FCC enforcement proceedings, we have been unable to establish that timely payments are made to the PSPs. However, we do note that good faith payments have been made on historical balances to all material vendors, and believe that the result of our audit will allow for back-payments to be produced and timely payments to ensue going forward.

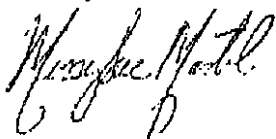
The relative effectiveness and significance of specific controls at Compass Global and their effect on assessments of control risk for PSPs are dependent on their interaction with internal control, and other factors present at PSPs and PSP aggregators, as well as the internal controls of third parties involved in Compass Global's processing of PSP dial

-around compensation. We have performed no procedures to evaluate the effectiveness of internal control at any third party associated with this process.

The description of controls at Compass Global is as of December 31, 2006 and information about tests of the operating effectiveness covers the period from October 1, 2006 to December 31, 2006. Any projection of such information into the future is subject to the risk that, because of change, the description may no longer portray the system in existence. The potential effectiveness of specific controls at Compass Global is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in the processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for use by management of Compass Global, along with PSPs and other vendors of interest, the FCC in verification of fulfillment of Order 96-128, and the independent auditors associated with such organizations.

Sincerely,

A handwritten signature in black ink, appearing to read "Missy Sue Mastel". The signature is written in a cursive, flowing style.

Missy Sue Mastel, CPA  
Lic. Number 67248-CA  
Mass-Tel Communications, Inc.  
April 10, 2007

## **Section 1: Overview of Operations and Internal Control Features**

### ***Overview of Operations***

DAC is the system whereby owners of payphones are compensated when a user places a calling card or other dial-around service to place a long distance call. Every time a person uses a payphone to place a long-distance call and dials a long-distance company other than the one assigned to the payphone, the dialed company must pay the payphone owner a fee. Payphone service providers and aggregators bill the SBR or LEC by providing a list of ANIs, and the LEC and SBR match ANIs to Call Detail Records (CDRs) from the switch, and pay on all calls that require compensation. Since payment is only due on completed calls when dial around services are used, the carrier's CDR utility program in the switch captures all relevant data pertaining to whether the call requires DAC or not.

While Compass Global has been operational since 1996, procedures for compensating the PSPs were the responsibility of the underlying inter-exchange (IXC) carriers through June 30, 2004, during which time the underlying IXCs billed Compass Global and Compass Global made payments for dial around compensation to the underlying IXCs. During the period between July 1, 2004 and March 31, 2005, officers of Compass Global had signed agreement addendums to perpetuate third-party billing from Sprint for DAC. However, Sprint failed to compensate carriers in accordance with their contractual responsibilities. In early 2005, Compass Global took back responsibility for compensating PSPs, but at this point had a significant amount of quarterly reconciliations and back-billing to catch up on. Despite efforts to make good faith payments to the PSPs, one aggregator filed formal complaints with the FCC. Compass Global undertakes this audit to ensure that the processes and payments calculated represent fairly the compensation due to PSPs as it begins to perform DAC activities directly with Payphone Service Providers.

In the quarter under review, twenty one separate PSP consolidators had invoiced Compass Global. Additionally, we noted that several of these aggregators have encouraged their constituents to invoice Compass Global separately, adding to the confusion as to whom to pay for which calls – aggregator or individual constituent PSP. We will perform procedures on these processes as it pertains to the accuracy, timeliness and completeness of the records for DAC.

### **General Operations**

Compass Global sells prepaid calling cards under a variety of product and affinity programs, dictated by their market. All calls are directed through Sprint as the underlying carrier. Each type of product has its own 800 number provided by the underlying carrier, which connects to the Compass Global switches. These 800 numbers are printed on cards and sold to end-users. Compass Global also sells local access cards, but as these are not coinless, these are not required for inclusion in DAC. At the time an

end user places a call, the 800 number connects the call on the underlying carrier network, directs that call to the Compass Global switch, where the call is received, authenticated, and then sent for termination over a routing mechanism to other carriers to complete the call. The Compass Global switch authenticates both the user, via PIN, and the termination number, via answer supervision, before it registers the call as connected.

Compass Global uses a single NACT switch located in New York, NY and maintained in Ft. Lauderdale, FL by a third-party, KASA Information Systems. As call records are processed, the information relating to origination, requested termination, header time, and talk time are filed in the Switch server database, and then downloaded in 5 minute polling periods to the Informix database.

As a switch-based reseller, Compass Global had limited direct relationships with PSP or PSP aggregators prior to 2004. Historically, payphone service providers have relationships with the LEC, and process claims for both coin and coinless commissions with the LEC or IXC servicing the phone. The LEC, in turn, invoices the SBR, or facilities based-reseller, for DAC by tracking the delivery of the call to the switch. Beginning in 2001, the underlying carrier began invoicing for DAC for all calls delivered to the switch. Compass Global would then reconcile the amount against completed and compensable calls in their switch, and pays the LEC or IXC who in turn reimburses the PSP. Historically, we note that the payphone compensation paid to Sprint has not been reconciled, and suggest that the PSPs may have been overcompensated during the period of IXC billing.

The DAC compensation process since 2004 has been for APCC and other PSP aggregators to send invoices of all ANIs in operation directly to Compass Global, who then reconciles this list against calls made to determine earned compensation. ANI ownership disputes between PSPs require LEC validation, although in-house procedures for ANI dispute resolution have been developed.

### **General Reconciliation Process**

Compass Global's reconciliation processes include managing the PSP vendors, receiving invoices relating to the BTNs under management by the various payphone providers and their associations, and submitting payments and claim reports to PSP and PSP aggregators. The PSP submits their ANIs, and invoices if available, to Compass Global. Since Compass Global is an SBR, and not the LEC, it does not maintain ANI ownership records or databases, and instead relies on the invoices for validation of ownership.

PSPs and LECs invoice their payphone surcharges quarterly, via CD ROM or floppy disk. A few vendors send paper invoices, and we note that in addition to the PSP's invoices, some aggregators are encouraging their constituents to also invoice Compass Global independently, thereby creating difficulty in determining appropriate payees.

For PSPs, APCC and other PSP representatives, a list of phone numbers, or ANIs, is sent representing the phone numbers that are owned and operated by the PSPs and are thus

eligible for DAC. The carrier or PSP representative lists all possible numbers, and leaves it to the reconciliation process to locate those phone numbers on CDRs and verify compensable calls.

**For switch reconciliation**

The NACT switch downloads the CDRs real-time to the Informix database, which then prepares and processes the call detail for bill reporting and invoicing. These reports are kept on the switch server for 15 days, downloaded to the Informix daily, and backed up monthly. Moreover, the Informix data is converted to SQL on a daily basis, and those files are kept live on the server for an entire year, but also backed up quarterly and archived, as well.

The NACT switch produces a payphone flag for each call on which payphone surcharges are collected—using parameters such as the info-digit and answer supervision received. Info digits used include ‘27’, ‘70’, or ‘29’ in the info ID field. ‘29’ is an uncommon digit identifier since it indicates a prison payphone. ‘00’ is a default for the system, and thus does not indicate a payphone call. Customer service calls using the 800 service numbers are processed the same way as other DAC-eligible calls, and thus the infodigit from the phone is captured accordingly. Appears reasonable.

The database generates the payphone flag from the info digit field, so that while a payphone indicator field is present, it is not used to filter the calls that are then compared to the ANI look-up table for DAC. Thus, Compass Global uses a complete database of call detail records for comparison with the invoices from the PSP. Appears reasonable.

Compass Global performs reconciliation on a quarterly basis, whereby they compare ANIs reported by the PSPs to the database of calls provided by SQL database downloaded into Access, and validate the claims for payment by the PSPs. Compass Global cross-references its payment report using the ANI and PSP ID information provided by the PSP—the SBR does not independently validate ANI ownership with the LEC. If two PSPs claim the same ANI, Compass Global will attempt to validate the correct owner using a Master ANI List kept by Compass Global. If no information is available, disputes are settled by requesting pertinent documentation from all interested parties, including affidavits from the LEC.

Claim reports are summarized by aggregator or carrier and are reviewed by the financial directors of the SBR. Once financial management validates the report and the total, the agreed-upon amount is paid via wire transfer *or* check. Penalties for late payment are transferred at the same time. Compass Global makes payment to the PSPs and aggregators accordingly.

We note that disputed issues and pending FCC complaints have hindered timely payment and that it is possible that overpayments made by IXC's and good faith payments may erode any overdue amounts due to the PSPs. Follow-up procedures will be conducted to bring these accounts current and accurate.

Reconciliation is an automatic process, and summary reports are generated detailing the ANI and all associated compensable calls. The CDR report is totaled for the number of records per PSP, and that number is used as the reconciled number for comparison and dispute against the carrier bill for incomplete calls.

While there are discrepancies between the call count that was sent from the underlying carrier and the final paid amount, most of the discrepancies between the carrier invoice and the CDRs stems from complete vs. incomplete calls. The invoices received from the carriers are unable to capture call completion information, and thus the reconciliation and support, if necessary, that are sent to the carriers result in significant credits from the underlying carrier to Compass Global in subsequent months. Appears materially reasonable.

We noted that Compass Global does not perform any review of the ANI payment to ensure against calling fraud. Per discussion with KASA Administrator, Kevin Gunderson, Compass Global relies on the PIN authentication process to establish the validity of each call, and thus does not review their reconciliation work for fraud. We reviewed the last two reconciliations and reports and did not see ANIs with excessive usage on reconciliation. As failure to detect this fraud would result in overpayment to the PSP, we have suggested that they perform this review each month. Appears reasonable

## **Processing Detail**

As end-users dial calls using the 800 numbers on the prepaid calling cards from Compass Global, the switches receive the calls from the originating carriers based on capacity and 800 number provider programming. When the 800 provider sends **the** call to the Compass Global switch, it sends the info digit and the 10 digit ANI+DNIS. The switch control host controls the switch and authenticates the call and the user PIN, checks the rate table and card for acceptable balances and accepts the terminating number. Once the termination number is entered and validated, it is sent out over a routing program. A call record generates at the time the call hits the Compass Global switch, recording the header information, including origination, routing, time stamp, program, and product rate and termination information. If answer supervision is attained, then the talk time begins to record, and the card is debited for the charges, including payphone. The call record completes when the call is terminated, and is updated to the switch database in real time. Calls **are** attempted for 60 seconds before the call is considered incomplete and released. If the connection between the Switch Control Host and the Switch database is broken, switch control maintains the CDR in backup until it can reconnect with the database. The database server imports new CDRs and transaction records from the NACT switch in real time, and updates the Informix rating platform in **5** minute increments.

Each day, Shoko Sakamoto, runs reports out of the Informix into SQL sorted by carrier and date. These reports are delimited text files run in the database (reporting interface) from the switch. When ownership of an ANI is in dispute, Compass Global will use the ANI Master List created from the historical PSP provided information, and if that is



inconclusive, will send the item as disputed to the parties involved. If a dispute ensues, Compass Global will require authentication directly from the parties involved and as directed to each PSP in the documentation and instructions included in Compass Global's payment statements. Appears reasonable.

## **Data Integrity**

Per Shoko Sakamoto, MIS Director, all records have been kept since inception. Information related to CDRs is maintained live at the switch database for 45 days, converted to Informix and backed up onto monthly CDs, and kept forever. The Informix files are also converted to SQL, maintained live on the system for an entire year, backed up to CD monthly and stored indefinitely on-site in the Information Systems department. Regular testing of the back-up data integrity, including uploading the offline database to an archive server and restoring the data to a server, is not performed regularly, although procedures now include pulling data files from 6 months prior to the current month to ensure that the data remains intact. Appears reasonable.

## **Reconciliation Process Detail of DAC for PSPs**

The Payphone Service Providers submit their ANI information either directly to Compass Global or through aggregators and IXC's. PSPs are able to make claims against the current and prior 6 quarters.

Compass Global recreates ANI look-up tables each quarter with the new invoices sent in each quarter by the carriers/PSPs for changes to the information and disconnects that are processed each quarter. We have recommended establishing a Master ANI list and using the Invoice information received quarterly from the PSPs to update the list as needed. The SQL program should be able to sort out disconnects and updates to the ANI data before it is run against the CDRs. Appears reasonable.

Compass Global then runs the updated ANIs against the CDRs for the quarter to match ANIs, and the payphone detail reports are created. The reports created are stored and archived to CD. Each invoice is loaded into Access and checked internally for duplicates, then loaded together and checked for inter-PSP duplication of claims. We instead recommend that all invoices be processed together as one look-up table to prevent duplicate payment for a dual-paid ANI. Calls are sorted into categories by PSP, with compensation reports sorted by PSPs, or PSP aggregators. Unmatched claims, or calls with payphone flags that are unmatched, are kept in suspense account and run against prior quarter(s) submitted by PSPs at the time of invoicing in case the PSP will make a later claim on them. Appears reasonable.

Discrepancies in ANI reporting, as when a number is claimed by more than one party are currently resolved by sending the disputed ANIs to the PSPs involved. We recommend instituting procedures whereby attempts at resolution include comparing the data from

prior quarters, collected in the ANI Master List, in order to try and identify the owner. If there is no way to substantiate one claimant over another, then the ANI should be sent out and the claimants should follow the instructions for dispute resolution included in the documentation and instructions sent to each PSP by Compass Global as part of their payment statements. The PSP will then be able to support their claim with Compass Global by providing required documentation.

ANI status report files are created for each PSP summarizing the ANI, and the amount paid, and the underlying carrier from which the call was transferred to Compass Global's switch, satisfying the reporting requirement to the PSP. We recommend updating current reporting to match with PSP approved formats. Compass Global relies on the PSP aggregator filing claims to distribute payments to their constituency. If PSPs make claims directly to Compass Global, then Compass Global will compensate directly.

At any time during the quarter, the PSP aggregator or LEC may submit new information relating to the ownership of certain ANIs, and they are incorporated into the quarter being processed and run against the prior 6 quarters, as noted above.

## **Call Records**

Compass Global ensures the completeness and accuracy of the call records through its CDR gathering process.

Compass Global sells prepaid calling cards to end users and retailers that represent more than 80 different products across three underlying carriers. Each card is printed with the 800 number that the underlying carrier gives that program/product, and terminates those 800 calls to the Compass Global switch for processing. The Switch then authenticates the card using the unique PIN identifier, also printed on the card, and then attempts to place the call to the terminating number using a routing mechanism. Thus, every call is really two calls, one inbound to the switch and one outbound from the switch at Compass Global.

Each 800 DNIS that hits the switch is preprogrammed to a single customer's account for a specific product. If an 800 number is dialed, sent over the carrier and the Compass Global switch does not recognize it, it is not processed by the switch. All 8XX calls that originate on the carrier's network are routed via LCR for termination of the dialed number.

The NACT switch is managed through a switch control host, which controls the actions of the switch and begins documenting the CDR with the receipt of the info-digit and ANI+DNIS. When calls are terminated, the CDR is recorded as complete and sent real-time to the Informix database. For each CDR, the system generates fields to identify the origination and completion information on the call. These are set up through logic that is programmed into the switch.

- Info digit (Field 51)- Identifies the service originating the call. '27', '70', '29' are the proper identifiers for payphone services. '00' infodigits are defaults in the Informix system,
- Answer Duration-(Field 13) Indication that the call has connected to the called party and billing can ensue. For the purposes of our test work and current attestation of dial-around compensation compliance, duration >0 signifies a completed call.
- Owner Type (Field 6) Identifies the call as coming from a calling card, and not a local access call or PBX.
- Date- (Field 1)-Compass Global payphone logic sorts the call records for dates within the quarter.
- Note: The NACT switch does not give an answer supervision, *or* direct indication that the call has actually been picked up by the receiving party. In many instances, the underlying carrier erroneously identifies delivered calls, which are calls that pass through their switch, as completed calls, but are not reasonably able to determine whether the call has actually been completed. Compass Global has overpaid dial-around compensation prior to July 2004, as a result of this erroneous billing procedure.

We note there are no dial-around fields since the caller has already selected Compass Global as the prepaid carrier, and Compass Global uses LCR criteria to route the end-user call. Appears reasonable. The switch control host will attempt completion for 60 seconds before determining an incomplete call.

The call records sent over are then run against the ANI invoice look-up tables for the quarter, and the calls are allocated to PSP and LEC, as required. Quarterly reports are generated 65 days after the quarter close to indicate what is being paid out to the LECs, IXC's and the aggregators on behalf of the PSPs.

When PSP payments are approved via the report, the payment schedule files are used to create a spreadsheet that is sent to the Accounting Department to process payment. The files are also used to create payment summary reports that will be sent to the PSPs with their check.

Once payments are sent, the CDRs will be marked as paid in the system, archived and closed out of the open item reports, thus recording which calls have been paid upon and which remain outstanding due to no claims or disputes. Disputed calls are generally paid to the vendor of record, where prior claims can be used to determine status. All NO CLAIM calls, where the CDR reflects an ANI that is not appearing on any invoice are accrued into an open item report for possible prior quarter billing in accordance with the FCC required statute of limitations. Appears reasonable.

When a quarter becomes ineligible for payment request due to expiration of the statute, unpaid Call Records are marked as Expired on the open item report, and all unclaimed call records are expired by the program. Appears reasonable. For quarters ending prior to July 1, 2004, Compass Global was generally over billed by their carrier, as the carrier

could not discern complete v. incomplete calls. As such, expiration of unclaimed calls was not an issue. We were unable to review files for unpaid vs. paid claims, as payments based on actual call records have not been made to date. However, plans for procedures seem reasonable, and will be audited in subsequent years.

Quarterly information is stored forever. Stored databases at Compass Global will be analyzed periodically to ensure that the data remains intact.

## **Disputes**

If a PSP or aggregator has a dispute about the payment made, the PSP can request that its original file (or a newly submitted file) be checked in greater detail. As stated above, most disputes are related to either ANI ownership or incomplete calls. Compass Global has a process by which they will request the disputing PSP provide ownership documentation and submit signed documentation from both the overpaid and the underpaid parties that agree upon the ownership of the payphone. If this information is not available, Compass Global will request that the PSP involve the LEC to try to obtain additional information and resolution. Appears reasonable.

Compass Global historically has disputes that result from billing of incomplete calls, and resolves them in the following way: Send the LEC the complete payphone reports with complete call detail records to indicate the calls being compensated. We note that incomplete calls might also be helpful for validation of liability, and suggested that they run this report as well, although the reconciliation process meets standard requirements. Appears reasonable.

## ***Internal Controls***

### **Control Environment and Organizational Chart**

Kevin Gunderson, KASA Operations, is responsible for programming the NACT switches and the switch control hosts, as well as the population of the Informix database. Shoko Sakamoto, MIS Director for Compass Global, is responsible for uploading the Informix to the SQL databases, converting the SQL into Access for DAC processing, and ensuring that the network remains up and running. Only 2 people have access to the switch interfaces and the database, including Scott Coletta, VP Operations, Shoko Sakamoto, MIS Director, and Kevin Gunderson, KASA operations. Kevin programs the switch to ensure that the NACT locates info digits and other information relevant to the DAC system. All access is limited to specific tasks, user-profiled, and secure. Personnel with programming access for the database are not the same as personnel with network control. Shoko uses this payphone stamp to select the correct fields for populating the DAC compensable call records.

Dean Cary receives the invoices from the PSPs or PSP representatives, and forwards the invoices to Shoko for processing. The invoice disks are run by Shoko, testing for

duplicate ANIs, and then are processed against the downloaded CDRs. The invoice payment report is sent to Dean Cary, who reviews the reports before sending them out to ensure that they appear materially accurate and that there are no large or unusual aspects to the report. If there are discrepancies, Shoko is asked to rerun the report, and then the report is reviewed manually. Dean Cary sends the checks and wire transfer requests to accounting, and then receives them for signature and mailing.

The payment detail report will be received within 65 days after the quarter end, and will be reviewed by Dean Cary and trended against prior quarters for reasonableness and reconciled against summary monthly reports on payphone records collected. Additionally, a completeness percentage report will be run to ensure that the percentage of call complete trends accurately from one quarter to the next. Payments are made to the PSPs by the end of the month. As approval and preparation of reporting information are kept separate, there appears to be little room for internal employee fraud outside of collusion. Invoices from the PSP are due by **30** days after the quarter end, so that the PSP can be paid by the last day of the next quarter. Appears reasonable.

We note that the Compass Global reconciliation process and the overall integrity of the DAC system rely on several internal controls to ensure the integrity of the system. These controls are communicated and complied with by Compass Global in the following:

### **General Contract and Regulatory Requirements**

Compass Global has warranted via letter signed by senior staff that the company and their representatives are responsible for maintaining compliance with laws, regulations, tariffs, and other general requirements in the course of doing business. Compass Global has provided documentation that they recognize these requirements and understand their responsibilities to comply with them. The integrity of the compensation system requires that Compass Global remain in compliance with all their attestations under the agreement. We also obtained and reviewed an executed copy of this letter, which indicates that the parties understand their obligations. Appears reasonable.

### **Access Controls**

Compass Global has maintained sufficient controls over who has access to switch and the reporting systems and under which circumstances changes and updates can be performed. The controls in place include:

- Limited access to switch and reconciliation processes
- Segregation of duties among report generation, reconciliation, and payment approval

Appears reasonable.

### **File Completeness and Timeliness**

Compass Global provides complete files, including completed call records for payphone originated calls, and is responsible for the completeness, accuracy, and timeliness of the call record files. The controls in place to provide such files are:

- Payphone logic that is standardized and verified
- Easily tracked sorting and filtering parameters
- Verification field in the reports
- Monthly reports generated by Information Systems on the 3<sup>rd</sup> of the subsequent month

### **Payment Authorization**

Compass Global reviews reports for reasonableness and makes payments to PSPs and aggregators from the summary payment documents submitted. Proper approval of payment is controlled by Dean Cary, CEO.

### **Completeness of Records Processed**

The switches collect data that is transferred into the database real time, and tags all information to ensure that the transfer is complete. Completion rates are tracked to ensure that the trend of call completion is consistent. Appears reasonable.

### **Dispute Resolution**

The FCC requires that a standardized process be in place to settle disputes that is data reliant. In the case of disputes arising, Compass Global requires consensual documentation from all interested parties that the resolution is fair and accepted. PSPs and their aggregators are required to provide whatever detail support may be necessary to validate any particular claim against a CDR or its DAC status. Appears reasonable.

### **Payment Rate**

All Compass Global customers use the default rate with their PSPs, and there are no exceptions. Because the reconciliation is done quarterly and each CDR is time and date stamped, the rate calculations are performed on the individual CDR. Internal controls testing relating to rate verification include validating on Compass Global's summary report that all calls are included at the .494 per eligible call rate.

### **Fraudulent Call ID**

Compass Global relies on the authentication of the call via the PIN. Since the card must be purchased in order to be used, the hidden PIN authenticates the user as a purchaser of the prepaid phone service, and has its own limitations in the amount of service available on that card. Thus, threshold per ANI are not considered necessary, and all completed calls made from a payphone are considered compensable. Appears reasonable.

## **Contingency Procedures**

The switch information and CDRs are backed up internally in the switch control host if connection between the Switch database and switch is broken. The Switch databases back up to the Main database in the main server, and communications failure between these two systems resets the system to reload any untagged CDRs. Appears reasonable. Reconciliation processes do not require special services or systems to perform, since the reconciliation is performed between raw data CDRs and billed ANIs in a lookup table. Third party LEC verification of PSPs is still required in order to validate proper ownership of the ANI.

## Section 2: Significant Control Objectives

The principal objectives of the system of internal controls pertaining to recordkeeping, reporting, and payment verification are as follows:

- 9 Policies and procedures are in place to ensure payment rates conform to FCC rules, either by default or as agreed to between parties.
- 9 Policies and procedures are in place relating to reporting elements as required by FCC Order.
- 9 Data is stored for a period at least as long as required by FCC rules.
- 9 Procedures are in place to establish, corroborate and validate proper PSP ownership SBR
- 9 System reporting for all eligible calls is both accurate and complete
- 9 Specific personnel have been identified as responsible for drafting and maintaining necessary business requirements relating to Compass Global system requirements.
- 9 Specific personnel has been identified for verifying compensation to PSPs
- 9 Specific personnel has been identified for handling dispute resolution with PSPs
- 9 Quarterly reports are verified for payphone call counts, PSP identities, numbers called, and infodigits.
- 9 Procedures are in place to identify and investigate potentially fraudulent calls and resolution.
- 9 Policies and procedures are in place *to* properly compensate **all** compensable calls originated from validated payphone ANIs. In addition, such reports are maintained for the period required by the FCC.
- Policies and procedures are in place regarding controls over changes to applicable software, including persons responsible, management of the changes, and validation of such changes, ensuring that the changes do not negatively affect integrity of the records processed or the results of processing such records.



## ***Description of Controls and Tests Performed***

Our test of the effectiveness of the policies, procedures, and controls included tests we considered necessary to evaluate whether those controls, and the extent of the compliance with them, is sufficient to provide reasonable, but not absolute, assurance that the specified control objectives were achieved during the period between October 1, 2006 and December 31, 2006. Our tests of the operational effectiveness of controls were designed to cover the period from October 1, 2006 through December 31, 2006.

Test procedures performed in connection with determining the operational effectiveness of controls are described as follows:

1. Corroborative inquiry – Made inquiries of appropriate personnel and corroborated responses with other personnel to ascertain the compliance of controls.
2. Observation – Observed application of specific controls.
3. Inspection of evidentiary material – Inspected documents and reports indicating the performance of the systems and controls.
4. Transaction testing – Used reports to recreate and document controls.

## ***Key Control Objectives***

### **Key Control Objective #1**

*Payment rates can either be based on a rate negotiated between the user and the PSP or the FCC default rate.*

### **Tests Performed**

- 1) Compass Global calculates their DAC obligations based on the rates included in FCC Order 96-128. Per discussion with Dean Cary, there are no agreements for alternative rates with PSPs. All rates at this point are the FCC default rate, which is currently .494 cents per compensable call.

We reviewed the DAC summary reports, noting that the calls paid for the quarter for PSPs of carriers processed by Compass Global were at the default rate(s) of .494, based on the date. Appears reasonable.

### **Key Control Objective #2**

*Policies and procedures are in place relating to reporting elements as required in by FCC Order.*

## **Policy or Procedure**

Per discussion with Dean Cary, reports are prepared on a quarterly basis for use by LECs, SBRs, and PSPs detailing the calls that originate by ANI, the amount paid per ANI, and carrier IDs. Additional reports may be constructed for any party including ANI Master Lists, potentially fraudulent calls, dispute items, and other, as deemed necessary by any party in accordance with FCC rules.

## **Tests Performed**

- 1) We reviewed the reports that were provided by Compass Global, noting that they were reconciled against switch reports and ANIs invoiced.
- 2) For the category “unclaimed ANIs”, we noted that the detail for these calls was provided for accrual and investigation purposes.

## **Key Objective #3**

*Data is stored for a period at least as long as required by FCC rules.*

## **Policy or Procedure**

Through interviews with key personnel, we noted that all records are kept on the switch platform for 45 days, and live in the SQL database for a full year. All CDRs are downloaded every 5 minutes to Informix files, compressed and stored on CDs monthly. CDs are made and kept forever. Regular testing of the back-up data, including uploading 6 month-old data to an archive server and restoring the data to a server which is running the database program, will be performed regularly.

## **Key Objective #4**

*Procedures are in place to establish proper PSP ownership*

## **Policy or Procedure**

Compass Global has only recently begun dealing with the PSP directly, and currently only validates PSP ownership using the quarterly invoices to establish ANI claims. However, an ANI Master List will be created from the information provided by the PSP, and used quarter over quarter to try to determine proper ownership for DAC. In cases where it is impossible to determine the proper owner, the PSPs are notified of the dispute and given procedures to dispute the payment, using LEC validation, ownership records, and other supporting documentation.

## **Test Performed**

- 1) We interviewed relevant personnel to determine the validation procedures in place

- 2) We reviewed the notification and dispute procedures in place for alternative claimants, noting that they are informed of all relevant information relating to the duplicate nature of their claim.
- 3) We supported development of an ANI Master List and its use in validating the claims of individual ANI owners.

## **Key Objective#5**

*System reporting for all eligible calls is both accurate and complete.*

## **Policy or Procedure**

Payphone flags are not used as a filtering system that might remove potentially compensable calls. Since Compass Global is a pure coin-less facilities-based reseller for prepaid calls, all completed calls with matching ANIs running through the NACT switch and all re-originated calls should be considered compensable. These programs produce a matched report, which is then sorted for consistency with the APCC reporting requirements, and used to substantiate the payment. The CDRs are also reviewed to ensure that the completion rate for all calls and the completion rate for DAC calls from prior quarters are consistent with the current DAC completion rate. Payphone reports are validated and or created before wire funds are transferred in payment.

## **Tests Performed**

- 1) We interviewed personnel responsible for various aspects of the reconciliation process, including key personnel at Compass Global to gain an understanding of the process and the internal control environment. Appears reasonable.
- 2) We reviewed the payphone logic and determined that the field parameters are sound.
- 3) We statistically sampled calls from the Informix CDRs to the Access CDRs for those dates, and then to the payphone compensation reports generated for ultimate payment. For our sample, we noted that the entire sample of proper info-digit calls appeared materially correct on the database report, and that the calls sampled from the database report appeared properly on the Compass Global report.

## **Key Objective#6**

*Specific personnel have been identified as responsible for drafting and maintaining necessary business requirements relating to Compass Global Telecommunication's system requirements.*

*Specific personnel has been identified for verifying compensation to PSPs*

*Specific personnel has been identified for handling dispute resolution with PSPs*

## Policy or Procedure

Compass Global has substantially segregated and assigned responsibility for drafting and maintaining necessary business requirements, like switch program logic, report preparation and formatting, validation of payment to PSPs and validation of reporting to various parties within the Compass Global organization.

## Tests Performed

We interviewed various personnel to understand their roles in the DAC process, noting:

- 1) That Kevin Gunderson, **KASA** Systems, is responsible for all the validity of the initial CDRs
- 2) That Shoko Sakamoto, runs the quarterly report in the database for comparison to the ANI invoices of the PSPs
- 3) That Shoko Sakamoto, reviews the call records that were sent for payment validation to be consistent with the payphone info-digit CDRs that are presented through the switch originally
- 4) That Dean Cary authorizes the wire transfer for PSP payment after review of the report sent by Shoko Sakamoto
- 5) That Dean Cary is responsible for dispute resolution with carrier-customers and their PSPs, generating CDRs and reports that are used in dispute resolution, most often to validate the claims of incomplete calls that indicate a non-compensable call.

Appears reasonable.

## Key Objective #7

*Quarterly reports are verified for payphone call counts, PSP identities, **numbers** called, and infodigits.*

## Policy or Procedure

Compass Global uses switch CDRs to compare to **ANI** invoices from PSPs and generate payments for compensable calls. Compass Global keeps monthly files of CDRs with payphone flags, ANIs, numbers called and infodigits so that originated calls with eligible DAC can be determined, and validated ANIs, non-validated ANIs, potentially fraudulent calls and calls with ownership issues can be identified.

## Tests Performed

With the exception of ANI ownership testing, quarterly reports are reviewed for pertinent information and exceptions and unusual items are pulled for further investigation. We reviewed two quarters of reconciliation to determine the basis for disputes, which were carrier invoices denied for incomplete calls. Appears reasonable.

We tested the quarterly reports against the statistical sampling of data for the quarter, noting that the information from the CDRs was captured materially and accurately as compensable or non-compensable calls. No exceptions.

## Key Control Objective #8

*Procedures are in place to identify and investigate potentially fraudulent calls and are resolved.*

## Policy or Procedure

All calls passed to the Compass Global switch require a PIN authentication and are limited in their abuse, given the nature of the prepaid phone card. Compass Global does not undertake any significant fraud testing, given the nature of the prepaid calling card debit process.

## Tests Performed

We inquired of personnel whether any fraudulent usage had yet been identified, and there has been no abuse or customer service complaints relating to non-authorized calls. Given the pre-use authentication required, appears reasonable.

## Key Control Objective #9

*Polices and procedures are in place to properly compensate all compensable calls originated from validated payphone ANIs. In addition, such reports are maintained for the period required by the FCC.*

## Policy or Procedure

See the narrative on DAC reconciliation and payment process above for greater detail. In summary, CDRs from the switch are sorted for info-digits (not payphone flags) and matching ANIs, and these records are summarized in the appropriate format for the PSP or aggregator. A summary report filtered by payphone flag field is not created, and the raw CDR data is used for determining compensable calls. LEC information related to ANI ownership is gathered, where provided. The results are tested for consistency with

historic completion rates. Compass Global reviews the report before wiring funds for payment of the PSP.

All data is stored on CD on-site, and a full year of data is stored live on the system. Per discussion with key personnel, this data will be taken out and restored to an active, but not live, server to test control totals and ensure that the call records remain unchanged.

### **Tests Performed**

- 1) We interviewed personnel responsible for various aspects of the reconciliation process, including key personnel at Compass Global to gain an understanding of the process and the internal control environment. Appears reasonable.
- 2) We statistically sampled calls from the original CDR for those dates to the payphone reports generated for PSP payment, noting that the entire sample of payphone flagged calls tested appears on the Compass Global compensation report.

### **Key Control Objective #10**

*Policies and procedures are in place regarding controls over changes to applicable software, including persons responsible, management of the changes, and validation of such changes, ensuring that the changes do not negatively affect integrity of the records processed or the results of processing such records.*

### **Policy or Procedure**

Compass Global has established policies and procedures regarding system changes, including specific policies regarding:

- System change approval
- Identification of responsible persons
- System security controls
- Program security controls
- Capabilities to test changes and compare to known results

### **Tests Performed**

We interviewed key personnel and reviewed the logic associated with generating payphone flags, as well as authentication of calls and completed calls. We reviewed documentation with regard to the above and noted that it was consistent with stated policy. Appears reasonable.